Year-end Report

January–December 2001

Telia AB (publ), 123 86 Farsta, Corp. Reg. No. 556103-4249, Registered office: Stockholm

The Year in Brief

- Consolidated net sales increased 6% to MSEK 57,196 (54,064)
  - Core business +13%, comparable units + 8%
- Underlying EBITDA was MSEK 12,915 (13,087)
  - Core business +10 %
- Income after financial items amounted to MSEK 4,808 (11,717)
- Assets in Telia International Carrier written down by MSEK 3,027 in light of prevailing market conditions
- Closing down of non-core operations completed
- Sharp focus on development and rationalization of core operations

Review of Group Earnings

MSEK	Oct-Dec 2001	Oct-Dec 2000	Full year 2001	Full year 2000
Net sales	14,970	14,540	57,196	54,064
Change in net sales (%)	3.0	-2.3	5.8	3.7
Underlying EBITDA	3,133	3,790	12,915	13,087
Underlying EBITDA margin (%)	20.9	26.1	22.6	24.2
Operating income	916	7,930	5,460	12,006
Income after financial items	906	7,658	4,808	11,717
Net income	-572	7,408	1,869	10,278
Earnings per share (SEK)	-0.19	2.47	0.62	3.50
Investments	5,157	10,311	20,735	47,742
of which CAPEX	4,849	7,185	17,713	16,580
of which acquisitions	308	3,126	3,022	31,162

Comments from Marianne Nivert, President and CEO

– Telia has had solid growth in core operations during the year and improved the margins in Mobile, Networks and Internet Services. The extensive divestitures and turbulence on the international carrier market led to weaker underlying EBITDA in 2001 compared with the preceding year.

– It is satisfying, however, that International Carrier showed strong growth despite the turbulence and that the negative earnings trend was halted towards the end of the year. Underlying EBITDA increased in our core operations as a whole.

– Trends were weaker in the fourth quarter than for the full year. This was mainly due to the impact of the generally weaker economy, but also to non-recurring costs related to the strong pressure to change we are experiencing in core operations.

– The winding up of non-core operations is now essentially complete and we are concentrating our efforts on developing and rationalizing our core businesses.

Group Review

Sales and Earnings

Full Year

Net sales for the Telia Group increased 6 percent to MSEK 57,196 (54,064) during the year, while underlying EBITDA declined 1 percent to MSEK 12,915 (13,087).

Group sales and earnings were affected by the divestiture of non-core operations carried out as part of Telia's refine and focus efforts. External net sales in core business rose 13 percent and underlying EBITDA increased 10 percent. The increases for comparable units were 8 and 5 percent, respectively.

Net Sales per Business Area [1)]

	Oct-Dec 2001 MSEK	Chg %	Oct-Dec 2000 MSEK	Full year 2001 MSEK	Chg %	Full year 2000 MSEK
Mobile	4,350	17.7	3,695	16,407	32.7	12,365
Internet Services	963	36.6	705	3,288	31.5	2,501
International Carrier	1,001	7.4	932	3,549	19.7	2,966
Networks	8,076	4.4	7,735	30,716	2.5	29,963
Retail market	*6,685*	*-3.3*	*6,915*	*26,304*	*-2.5*	*26,975*
Wholesale market	*1,391*	*69.6*	*820*	*4,412*	*47.7*	*2,988*
Equity	543	-61.9	1,427	3,068	-49.3	6,057
Group-wide	37	19.6	46	168	-20.8	212
Total	**14,970**	**3.0**	**14,540**	**57,196**	**5.8**	**54,064**
of which core business	*14,427*	*10.0*	*13,113*	*54,128*	*12.8*	*48,007*

1) For further information: www.telia.com, Investor Relations, Financial Information, External Net Sales per Business Area and Product Segment (specification).

Net sales for Telia Mobile climbed 33 percent to MSEK 16,407, with an increase of 19 percent for comparable units. The Nordic customer base grew by 417,000 during the year to 4,936,000. The margin strengthened from 23 to 27 percent.

Demand for Internet access remained strong for Telia Internet Services, particularly broadband, for which sales took off in earnest during the year. Net sales for Telia Internet Services increased 31 percent to MSEK 3,288 and earnings improved. Telia delivered 263,000 broadband connections during the year, including 40,000 to operators and service providers outside the Group.

Despite the turbulence and uncertainty that characterized the carrier market, net sales for Telia International Carrier climbed 20 percent during the year. Substantial investments were made to complete the network and establish an efficient sales organization. The build-up phase has essentially come to an end, as did the negative earnings trend, toward the end of the year.

Higher demand for value-added services and wholesale products kept revenues stable within Telia Networks, despite a decline in traffic revenues in the Swedish retail market. The margin increased from 29 to 33 percent.

Underlying EBITDA for Group-wide improved by MSEK 398 to MSEK 1,226.

Underlying EBITDA and Operating Income

MSEK	Oct-Dec 2001	Oct-Dec 2000	Full year 2001	Full year 2000
Mobile	1,104	1,136	4,812	3,396
Internet Services	-223	-280	-970	-1,201
International Carrier	-381	-245	-1,562	-423
Networks	2,936	3,242	11,603	11,404
Equity	108	550	258	1,535
Group-wide	-411	-613	-1,226	-1,624
Total underlying EBITDA	**3,133**	**3,790**	**12,915**	**13,087**
of which core business	*3,025*	*3,240*	*12,657*	*11,552*
Depreciation and write-downs	-6,285	-2,427	-13,975	-8,222
Non-recurring items and pensions	322	6,937	384	8,338
Share of earnings in associates	3,746	-370	6,136	-1,197
Operating income	**916**	**7,930**	**5,460**	**12,006**

Depreciation and write-downs increased to MSEK 13,975 (8,222). Depreciation rose mainly due to broadband expansion and capacity reinforcement of fixed networks in Sweden, expansion of the carrier network, and the full-year effect of amortization of goodwill from the acquisition of NetCom. In light of prevailing market conditions, the book asset value in Telia International Carrier was written down by MSEK 3,027.

Non-recurring items declined to MSEK 384 from MSEK 8,338. Capital gains from divested operations boosted earnings, while provisions for winding up the satellite business reduced earnings by MSEK –500. Non-recurring items in the preceding year referred mainly to the IPO of Eniro.

Earnings from Associated Companies

MSEK	Oct-Dec 2001	Oct-Dec 2000	Full year 2001	Full year 2000
Baltic states (Mobile/Networks)	70	42	195	190
Netia (Networks)	-21	-47	-2,464	-411
Comsource/Eircom (Networks)	1,179	-133	126	-933
Unisource/AUCS (Equity)	-266	199	-372	1,445
Telia Overseas (Equity)	139	-632	2,794	-1,719
Eniro (Equity)	2,629	185	6,052	185
Other associated companies	16	16	-195	46
Total	**3,746**	**-370**	**6,136**	**-1,197**

Earnings from associated companies rose to MSEK 6,136 (-1,197). The improved performance is attributable to capital gains from divested companies and also because some of the divested companies previously reported deficits.

The Group as a whole is reporting operating income for 2001 of MSEK 5,460 (12,006) and net income of MSEK 1,869 (10,278).

About 25 more businesses were divested during the year and the refine and focus efforts are now essentially complete. Construction, installation, and support services have been outsourced, creating opportunities to adjust costs to economic and market fluctuations.

The refine and focus program begun in fall 2000 has reduced the total number of employees by 15,000 and strengthened the Group financially.

Fourth Quarter

Growth tapered off somewhat in the fourth quarter. Sales increased 10 percent in core operations and 7 percent for comparable units. Underlying EBITDA was down 7 percent compared with the corresponding quarter in the preceding year.

The decline is attributable to the flagging economy and to earnings at the underlying EBITDA level encumbered by non-recurring costs of approximately MSEK 300 related to the change program.

Change Program Launched

Following the streamlining of the Group, focus is now exclusively on core operations. The development of attractive offers for different customer groups is being intensified and a comprehensive change program is underway to rationalize our core businesses:

- All development projects in the Group are being reviewed. Overlapping and less urgent projects are being discontinued.
- The new Group structure implemented April 1, 2001 is yielding opportunities for continued rationalization of the sales organization via concentration of customer service by telephone to fewer cities, closure of unprofitable stores, and the introduction of electronic self-service channels for high-volume products and standard services.
- Rationalization of the delivery process from order to final report aimed at lowering costs and enhancing delivery reliability.
- Reduction of the Telia Networks product portfolio through elimination of less profitable products. Concentration of service development within Telia Internet Services to communications-related services.
- Coordination of network development, service development, and production at the Nordic level within Telia Mobile aimed at creating synergies and economies of scale. Revamping of sales efforts in local markets.
- Focus on sales and production in the international carrier operations.
- Concentration of Telia's operations in Sweden to fewer locations. Co-location in each city to achieve efficient use of premises and technical equipment.

To handle issues of workforce redundancy arising from the streamlining of our core businesses, Telia's established Group-wide transition unit will be reinforced.

Financial Position and Cash Flow

The Group's financial position is stable. Total assets increased during the year somewhat less than sales growth. The interest coverage ratio was weaker compared with the preceding year due to interest on loans raised in the second half of 2000 to finance the acquisition of NetCom.

MSEK	31 Dec 2001	31 Dec 2000	31 Dec 1999
Interest coverage ratio (multiple)	3.0	7.3	8.5
Total assets growth (%)	4.5	60.2	13.9
Asset turnover ratio (multiple)	0.46	0.54	0.72
Equity/assets ratio (%)	46.2	44.4	41.0
Capital employed	90,971	92,374	50,936
Operating capital	70,150	75,042	39,160
Net interest-bearing liabilities	10,661	20,235	7,527
Debt/equity ratio (multiple)	0.18	0.37	0.24

The fourth quarter, like the year as a whole, was characterized by substantial amortization of the Group's loan debt.

Streamlining of the Group's operations through divestitures yielded a cash flow of MSEK 15,631, including MSEK 5,640 in the fourth quarter. This contributed to strongly improved cash flow from operating activities and enabled further amortization of loan debt. Telia does not normally have significant positive cash flow. Cash settlement of a number of large business deals at the end of the year, however, resulted in a significant acid test ratio as of the balance sheet date.

The focus of borrowing activities during the majority of the year was on short-term borrowing, primarily via the Group's ECP program, while waiting for the cash flow that could be used for amortization. Most loans in foreign currency have been swapped to SEK.

Very large borrowing needs in the telecom sector combined with a poorer loan outlook for most telecom companies in Europe led to a generally higher relative cost of borrowing for companies in the sector during the year. This trend also had a negative impact on Telia's relative cost of borrowing, albeit not to the same extent as for most other operators. However, the sector's relative cost of borrowing tended to decline somewhat towards the end of the year.

Financial Risk Management

Currency Risk

The Telia Group has a relatively limited operational need to net purchase foreign currency, primarily due to the settlement deficit in telephony traffic and import of materials.

Of the Group's operational net transaction exposure (the net of in- and outflows) during the year, 71 percent was in USD and 13 percent in EUR and other EMU currencies. Given an operational net transaction exposure equal to that of 2001, and provided that no hedging measures were taken, there was a negative impact on Group earnings of approximately MSEK 30 on an annual basis if the Swedish krona weakened one percent against the transaction currencies.

Telia's general policy is to hedge the majority of known operational transaction exposure up to 12 months into the future. Financial flows such as loans and investments, however, are usually hedged until maturity, even if that is longer than 12 months.

The Group is growing relatively robustly in other countries, which implies rising conversion exposure. Telia manages this in various ways, depending on the following factors: investment horizon, size of commitment, the country in which we are doing business, and the currency. With consideration given to fiscal effects, Telia normally hedges conversion exposure that is relatively short-term, involves substantial amounts, and which is located in a country with a stable financial market or is denominated in a readily available currency. Telia does not hedge to the same extent exposure that is long-term or of lesser amounts in countries or currencies that are difficult to manage from a financial perspective. As of the balance sheet date, the Group had hedged conversion exposure equal to MSEK 496.

Interest Risk

Telia's financial policy provides guidelines for the duration of the interest rates and the average maturity of borrowings. The Group's policy is that the duration of fixed interest on loan debt should be from six months to three years. The Group arrived at this duration interval by balancing the estimated running cost of borrowing and the risk of significant negative impact on earnings should there be a sudden, major change in interest rates. The general principle is to optimize interest risk from an overall Group perspective.

As of year-end, the Group had interest-bearing liabilities of approximately GSEK 29 with interest fixed for 2 years. Accordingly, interest risk is currently relatively limited.

Financing and Liquidity Risks

Telia is considered one of the most creditworthy telecommunications companies in Europe, which gives the Group good opportunities to finance operations in the finance markets. Standard & Poor's has given Telia the highest possible short-term ratings, K-1 and A-1+, for borrowing in SEK and foreign currency, respectively. Telia's rating for long-term borrowing is AA with Negative Outlook. Moody's has also given Telia the highest possible short-term rating, P-1, and A1 with Stable Outlook for long-term borrowing.

In order to reduce financing risk, the Group aims to spread loan maturity dates over a longer period.

Telia AB also has a Revolving Credit Facility, i.e., confirmed loan commitments from a consortium of leading international banks, which constitutes a liquidity tool for the Group. At present, the loan commitment amounts to MUSD 1,000 or the equivalent value in certain other currencies.

Investments

Investments declined 17 percent compared with the preceding year, adjusted for the acquisition of NetCom.

Investments by Class of Asset

MSEK	Oct-Dec 2001	Oct-Dec 2000	Full year 2001	Full year 2000
Goodwill	-87	41	448	22,893
Other intangible assets	-63	326	1,316	509
Real estate	76	166	269	552
Machinery and equipment	4,836	6,693	16,128	15,519
Fixed networks	*3,586*	*2,391*	*7,022*	*4,115*
Mobile networks	*1,011*	*625*	*2,124*	*1,411*
Other machinery and equipment	*239*	*3,677*	*6,982*	*9,993*
Shares and participations	395	3,085	2,574	8,269
Total	**5,157**	**10,311**	**20,735**	**47,742**

CAPEX increased by 7 percent during the year to MSEK 17,713. The majority referred to expansion of the international carrier network, broadband expansion in Sweden, and capacity reinforcements in the Nordic mobile networks. Added to that total was the fee of MSEK 1,024 for the UMTS license granted in Denmark late in the year.

The majority of investments in goodwill, shares and participations in associated companies refers to the Danish infrastructure company Powercom, the Russian mobile operator North West GSM and Svenska UMTS-nät as well as the directory companies Panorama Polska and Eniro, which were sold later in the year.

Employees

The streamlining of the Group, particularly the ownership spread of Eniro and Telefos, led to a reduction in the average number of employees by slightly more than 17 percent to 24,979 during the year, compared with 30,307 for 2000.

On December 28, Telia sold 91 percent of its holdings in the Orbiant Group, which had approximately 5,400 employees. The combined result, along with the year's other divestitures, was that the number of employees as of December 31 was slightly more than 42 percent lower than on the same date the preceding year.

Telia Stock

Telia stock is listed on the A List of Stockholmsbörsen.

The Swedish state owns 70.6 percent of Telia. Slightly more than 19 percent of the remaining stock was owned by 786,000 Swedish private investors as of December 31, while nearly 68 percent was owned by Swedish institutions, and 13 percent by foreign investors.

The highest price paid during the year was SEK 71.00 and the lowest price paid was SEK 36.00.

Annual General Meeting

The Annual General Meeting will be held April 23 at 4 P.M. in the A Hall of Stockholm International Fairs (Älvsjö). Notice of the meeting will be posted on Telia's website, www.telia.com, and advertised in the newspapers in mid-March. The record date entitling shareholders to attend the meeting will be April 12, 2002. Shareholders may file notice of intent to attend the AGM after March 14. The deadline for filing notices is April 17, 2002 (notice must be received by Telia no later than 4 P.M.).

Dividend

The Board of Directors will be proposing a dividend of SEK 0.10 per share to the AGM. The Board will also recommend an extra dividend of SEK 0.10 per share based on the gains realized from divestitures in the Telia Equity business area. The total dividend of SEK 0.20 per share will result in total distribution of MSEK 600.

The Board recommends that the final day for trading in shares entitling shareholders to dividends be set at April 23, 2002 and that the company's stock be traded without dividend rights on April 24. The recommended record date at VPC, for the right to receive dividends will be April 26. If the AGM votes to approve the Board's recommendations, dividends are expected to be distributed by VPC on May 2, 2002.

Financial Information

Annual Report 2001	April 1
Annual General Meeting	April 23
First Quarter Report Jan-Mar	May 6
Semiannual Report Jan-June	August 6
Third Quarter Report Jan-Sep	Nov 4

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Business Areas

Telia Mobile

MSEK	Oct-Dec 2001	Oct-Dec 2000	Full year 2001	Full year 2000
Net sales	4,757	4,342	18,106	14,557
of which external	4,350	3,695	16,407	12,365
Underlying EBITDA	1,104	1,136	4,812	3,396
EBITDA margin (%)	23.2	26.2	26.6	23.3
Operating income	356	500	1,749	1,621
Investments	1,667	1,325	4,961	25,894
Mobile Telephony, Sweden				
Net sales	2,982	2,942	11,546	10,889
of which external	2,629	2,330	10,047	8,868
Underlying EBITDA	1,299	1,204	5,132	4,138
EBITDA margin (%)	43.6	40.9	44.4	38.0
Investments	412	432	1,364	1,035
Mobile Telephony, Norway				
Net sales	1,159	866	4,316	1,669
of which external	1,152	859	4,287	1,655
Underlying EBITDA	347	248	1,381	471
EBITDA margin (%)	29.9	28.6	32.0	28.2
Investments	556	407	1,057	23,267
Mobile Telephony, Denmark				
Net sales	177	137	731	505
of which external	151	131	633	442
Underlying EBITDA	-255	-125	-602	-475
EBITDA margin (%)	Neg	Neg	Neg	Neg
Investments	451	179	1,907	246
Mobile Telephony, Finland				
Net sales	196	122	666	370
of which external	192	118	648	364
Underlying EBITDA	-147	-107	-412	-494
EBITDA margin (%)	Neg	Neg	Neg	Neg
Investments	195	87	412	214

Full Year

Continued customer growth and increases in traffic per customer resulted in a sales increase of 33 percent to MSEK 16,407. The increase for comparable units was 19 percent.

The customer base in the wholly-owned Nordic business increased by 417,000 to 4,936,000 and the number of customers via service providers climbed by 88,000 to 186,000. If Telia's proportional share of the customer base in the associated companies in Russia and the Baltic states is included, the number of mobile customers rose during the year by 737,000 to 5,645,000.

Earnings improved. Underlying EBITDA went up by 42 percent to MSEK 4,812 compared with the preceding year. The increase for comparable units was 23 percent.

Depreciation increased from MSEK 1,961 to MSEK 3,375. This was mainly due to the full year effect of amortization of goodwill from the acquisition of NetCom and write-downs of technology platforms for mobile portals in the third quarter.

Earnings from associated companies rose from MSEK 166 to MSEK 361 due to continued positive development of the mobile operator companies in the Baltic states and Russia.

Operating income increased from MSEK 1,621 to MSEK 1,749.

Investments totaled MSEK 4,961, including CAPEX of MSEK 4,323. The majority of investments referred to capacity increases in existing networks and investments in new technology platforms for GPRS and UMTS. MSEK 1,024 was invested in the UMTS license in Denmark. MSEK 417 was invested to increase Telia's stake in North West GSM. A capital contribution of MSEK 250 was given to Svenska UMTS-nät AB.

GPRS was launched in Sweden, Norway, and Finland during the year. GPRS is also expected to be launched in Denmark in the first half of 2002. In February 2002, Telia was the first operator to introduce GPRS roaming among the four countries.

Telia was granted a UMTS license in Denmark during the year and now has access to UMTS licenses throughout the Nordic market.

Integration of mobile operations in the Nordic countries began during the year. The aims include creating a common network architecture and coordinating the technology platforms, which will yield economies of scale in connection with the development and launch of services. A Nordic price plan and a number of pan-Nordic basic services were launched during the year.

The portal business has been concentrated to the Nordic countries. Significant synergy effects can be achieved by merging mobile portals, technically and organizationally.

Aimed at stimulating the development of mobile information services, Telia launched an interface toward content providers that provides access to Telia's customer base and a billing function.

Fourth Quarter

Fourth quarter sales increased 18 percent to MSEK 4,350. Underlying EBITDA declined by MSEK 32 compared with the same quarter in the preceding year. This was due to the costs of changing the portal business, higher deficit in the retail outlet business, and higher losses in Denmark and Finland.

Mobile Telephony, Sweden

Sales for the Swedish mobile telephony business increased 13 percent to MSEK 10,047 during the year. Underlying EBITDA improved 24 percent to MSEK 5,132. The margin increased from 38 to 44 percent.

The earnings improvement was due primarily to continued good customer growth, higher traffic per customer, and low churn. Restrictive use of telephone subsidies and cost rationalization also had a positive impact on earnings.

Prices were lowered 6 percent during the year.

The number of mobile customers increased during the year by 182,000 to 3,439,000. The number of customers via service providers rose by 26,000 to 74,000. Cooperation agreements were signed with an additional three service providers. As of year-end, Telia had alliances with seven service providers in Sweden.

Several new SMS services were launched and the number of SMS messages sent doubled during the year to 389 million. New positioning services were also launched.

Telia was the first mobile operator in Sweden to launch a new kind of marketplace for external content and service providers. The PocketMode marketplace offers a streamlined interface towards third party vendors and a billing function.

Svenska UMTS-nät AB, a joint venture company with Tele2, was established during the year and construction of the UMTS network in Sweden began.

Fourth quarter sales increased 13 percent to MSEK 2,629 compared with the corresponding quarter in the preceding year. Underlying EBITDA improved by 8 percent to MSEK 1,299.

Average traffic volume per month and user (MoU) increased in the fourth quarter from 124 to 129 minutes compared with the corresponding quarter in the preceding year. Monthly average revenue per user (ARPU) declined from SEK 303 to SEK 289 as a result of price cuts.

Mobile Telephony, Norway

Sales for the Norwegian mobile telephony business increased by 39 percent for comparable units to MSEK 4,287 during the year. Underlying EBITDA improved 44 percent to MSEK 1,381. The margin increased from 28 to 32 percent. The improvement is attributable to steady customer growth and higher traffic per customer.

The customer base grew during the year by 120,000 to 970,000 customers, while the number of customers via service providers rose by 62,000 to 112,000.

The SMS trend remained positive. A total of 501 million SMS messages were sent during the year, an increase of 66 percent compared with the preceding year.

Fourth quarter sales increased 34 percent to MSEK 1,152 while underlying EBITDA rose 40 percent to MSEK 347, compared with the corresponding quarter in 2000.

Average traffic volume per month and user (MoU) increased in the fourth quarter from 136 minutes to 141 minutes compared with the corresponding quarter of the preceding year. ARPU rose from NOK 308 to NOK 317.

Mobile Telephony, Denmark

Sales increased 43 percent during the year for the Danish mobile telephony business, to MSEK 633, while underlying EBITDA declined by MSEK 127 to MSEK –602.

The decline in income is attributable to the costs of restructuring the business and write-downs of telephone inventories, for a total of MSEK 170.

The business acquired 25,000 new customers during the year. New policies from the Danish regulatory authorities concerning reporting of prepaid customers required 87,000 customers to be culled from the list. As a result, there were 288,000 customers as of year-end.

The expansion of GSM 900 began during the year, which will enhance Telia's opportunities to offer competitive prices and new services to the Danish market.

Fourth quarter sales rose 15 percent to MSEK 151. Net income was encumbered by the costs of restructuring the business and write-downs of telephone inventories totaling MSEK 150, which led to a decline in underlying EBITDA by MSEK 131 compared with the same quarter in the preceding year.

Mobile Telephony, Finland

Sales for the Finnish business climbed 78 percent to MSEK 648 and the deficit declined from MSEK – 494 to MSEK –412.

The Dual prepaid card account has become a great success in Finland. A successful promotional campaign for traditional subscriptions was also carried out at the end of the year. The customer base in Finland increased during the year by 90,000 to 239,000.

The retail business was rationalized and the two store chains, Viestituote and Telia Vaihtoehtoliike, were merged. Telia has its own stores in about 50 cities and towns in Finland.

Fourth quarter sales rose 63 percent to MSEK 192, compared with the corresponding quarter in the preceding year. Underlying EBITDA declined by MSEK 40 due to higher marketing costs.

Baltic States and Russia

Development for the mobile operator companies in Russia and the Baltic states remained positive during the year. The total customer base increased by 878,000 to 2,037,000.

During the year, Telia became a partner in MegaFon, the first pan-Russian mobile operator, which has access to a market with a population of 146 million.

Telia Internet Services

Full Year

External net sales increased 31 percent to MSEK 3,288 during the year. The growth is attributable to vigorous sales of Internet access accounts, primarily broadband. The number of paying broadband customers increased during the year by 222,000 to 303,000. Demand for dial-up Internet access was also good, especially in Sweden.

Underlying EBITDA was MSEK –970, an improvement of MSEK 231 compared with the preceding year. The

broadband business is in a build-up phase that entails costs for development of services, customer management and support systems, and marketing. Prices for broadband are low across the board in relation to costs. Price increases implemented in 2001 for broadband access had only a limited effect on earnings for the year and their full impact will not be apparent until 2002.

MSEK	Oct-Dec 2001	Oct-Dec 2000	Full year 2001	Full year 2000
Net sales	968	865	3,305	2,793
of which external	963	705	3,288	2,501
Underlying EBITDA	-223	-280	-970	-1,201
EBITDA margin (%)	Neg	Neg	Neg	Neg
Operating income	-561	-263	-1,649	-1,307
Investments	231	506	903	985
Sweden				
Net sales	821	764	2,817	2,435
of which external	817	604	2,802	2,144
Underlying EBITDA	-217	-228	-914	-1,118
EBITDA margin (%)	Neg	Neg	Neg	Neg
Investments	160	535	722	916

Depreciation increased to MSEK 606 and referred mainly to the conversion of cable television networks to broadband Internet. The com.hem portal platform was written down by MSEK 178 in the fourth quarter.

Investments amounted to MSEK 903, including MSEK 569 for conversion of cable television networks.

As a result of higher depreciation and write-downs, operating income declined from MSEK –1,307 to MSEK – 1,649.

Many Access Options

Telia offers many Internet access options in various bandwidths. Internet access generates the majority of the business area's sales. Sales for the access business increased 31 percent during the year to MSEK 1,959.

Number of Internet Accesses	2001	Change	2000
Sweden			
Dial-up access	747,000	+60,000	687,000
Broadband	245,000	+194,000	51,000
of which ADSL/LAN	194,000	+167,000	27,000
of which ProLane	3,000	+1,000	2,000
of which cable TV	48,000	+26,000	22,000
Denmark			
Dial-up access	89,000	+11,000	78,000
Broadband via cable TV	58,000	+28,000	30,000
Total Accesses	**1,139,000**	**+293,000**	**846,000**
of which dial-up access	836,000	+71,000	765,000
of which broadband	303,000	+222,000	81,000

Dial-up Internet connections via modem are still the most common form of access. Demand for dial-up access is good and the customer base increased during the year by 71,000 to 836,000. The sharpest increase was in Sweden.

Broadband connections to the Internet are offered via ADSL and the cable television network, as well as through fixed access (ProLane).

There is great demand for broadband access. Demand for ADSL connections used to come primarily from consumers, but toward the end of the year, demand from businesses for ADSL also rose strongly when Telia Broadband Business service was launched in mid-2001.

Telia had a total of 1,139,000 Internet access customers as of year-end, evidence that Telia has strengthened its position in the Swedish Internet access market. Estimated market share has increased from 35 to 40 percent, with an estimated market share of 55 percent of the broadband market. Telia is second in the Danish broadband market.

Additional general agreements were signed during the year with property owners and building cooperatives on provision of broadband to Swedish households. As of year-end, the agreements covered potential broadband connections in Sweden for 1,165,000 households via ADSL and 520,500 households via cable television.

In addition to access, Telia offers services that support and facilitate use of the Internet. Sales of Internet services rose from MSEK 35 to MSEK 139. The increase was strongest for portal services and hosting.

Integration of Broadband Operations

Broadband operations are being integrated to create synergies and economies of scale through coordinating technology platforms, service development, marketing, and sales. One of the effects of integration is that www.startsidan.telia.se will be the main portal for all Telia broadband customers in Sweden, regardless of connection type.

The broadband portal launched in 2001, www.startsidan.telia.se, had 674,000 unique visitors in December.

Cable TV Services

Net sales for the cable television business increased by 21 percent to MSEK 1,129 during the year.

In Sweden, where most of the cable television network is digital, the number of digital TV customers increased by 21,000 to 124,000. Demand for digital TV rose sharply after the launch of pay-per-view services, which include live broadcasts of elite level and championship hockey and soccer games.

There were 1,378,000 cable television customers in Sweden as of year-end.

In Denmark, 179,000 customers were connected directly via cable and 430,000 indirectly via parabolic antenna connections. Digitization of the network in Denmark has begun.

Fourth Quarter

The positive sales trend was further strengthened in the fourth quarter. Sales increased by 37 percent to MSEK 963 compared with the same quarter in the preceding year. An

additional 75,000 broadband customers were connected, compared with 52,000 in the third quarter.

Underlying EBITDA improved in the fourth quarter by MSEK 57 to MSEK –223, compared with the corresponding quarter in the preceding year.

Telia International Carrier

MSEK	Oct-Dec 2001	Oct-Dec 2000	Full year 2001	Full year 2000
Net sales	1,275	1,216	4,636	4,068
of which external	1,001	932	3,549	2,966
Underlying EBITDA	-381	-245	-1,562	-423
EBITDA margin (%)	Neg	Neg	Neg	Neg
Operating income	-3,674	-317	-5,163	-641
Investments	1,157	2,513	5,060	6,328

Full Year

External net sales in the international carrier business increased by 20 percent to MSEK 3,549. The increase is primarily attributable to capacity and IP traffic, with strong growth during the year of 106 percent and 97 percent, respectively. Revenues from sales of infrastructure jumped from MSEK 43 to MSEK 212. The co-location service launched during the year generated revenues of MSEK 100. Net sales in the voice business, which accounts for slightly more than half of the business area's revenues, declined 5 percent.

The carrier business is in the build-up phase. Substantial investments were made during the year to complete the network and establish local market organizations.

Underlying EBITDA was MSEK –1,562 and encumbered by MSEK 296 in customer losses, including a provision for doubtful receivables of MSEK 229.

The carrier market was turbulent in 2001. The entry of a considerable number of new market players and delays in the expansion of broadband in the retail market have created over-capacity and strong price pressure.

Many companies experienced financial difficulties and were forced to exit the market. The turbulence had a negative impact on growth and earnings trends for Telia International Carrier, especially for the voice business. Telia has elected to forgo business entailing low margins and high risk and has tightened its credit policy. As a result, voice revenues declined in the first quarter. Revenues have increased in stages since then, but not to an extent that fully compensated for the first quarter decline.

In light of the market conditions, the book asset value in Telia International Carrier was written down by MSEK 3,027 at the end of the year.

Turbulence in the carrier market is expected to continue in 2002 and the market is now entering a consolidation phase. Telia is monitoring the trend carefully and will be exploiting business opportunities as they arise.

Construction of the Viking Network is largely complete. As of year-end, Telia had an 18,000 km fiber-optic network in the United States and 16,000 km in Europe. The European and American segments of the Viking Network are up and running and the networks have been linked by the TAT-14 Atlantic cable, which began operating during the year. Customers can be connected to the network from about 100 sites around the world.

Network construction will be completed in eastern and southern Europe in 2002, which means that Telia will have a 22,000 km fiber-optic network operating in Europe by mid-2002.

The Viking Network is a high-quality fiber-based backbone network equipped with wavelength technology. The network is based on proprietary infrastructure, which makes it possible to control quality and operational reliability.

A total of GSEK 12 has been invested in the international carrier business, including MSEK 5,060 in 2001. Investments in 2002 are expected to drop to approximately MSEK 1,500.

Carrier operations are now being focused on sales and production. Telia's plans for the international carrier market stand firm. Demand for broadband transport will surge when the development of broadband is well underway and the UMTS networks are lit up. This will create and long-term profitability for Telia International Carrier.

Fourth Quarter

Fourth quarter sales increased by 7 percent compared with the same quarter in the preceding year. The lower growth is due to lower revenues for voice and somewhat weaker demand for capacity in October and November.

The build-up phase is essentially over and the negative earnings trend came to a halt in the fourth quarter. Underlying EBITDA was MSEK –381, compared with MSEK –614 in the third quarter.

Telia Networks

Full Year

Telia Networks increased external net sales for the fixed network business 3 percent to MSEK 30,716. Sales for comparable units were on a level with the preceding year. Continued growth in the wholesale business and higher sales of value-added services compensated for reduced traffic revenues in the Swedish retail market. The average price level was unchanged during the year.

Underlying EBITDA increased by MSEK 199 to MSEK 11,603 and the margin strengthened from 29 to 33 percent.

Depreciation rose by MSEK 642 to MSEK 5,432 due to higher investments in 2000 and 2001.

Investments totaled MSEK 7,147, including CAPEX of MSEK 6,785. A significant portion referred to ADSL expansion in Sweden and capacity reinforcement of the fiber-optic backbone network and fiber-optic networks in larger cities. The IP networks in Sweden and Denmark were further expanded during the year. MSEK 310 was invested

to acquire the infrastructure company Powercom in Denmark.

Non-recurring items amounted to MSEK –71 MSEK, compared with MSEK 1,341 in the preceding year, when the fixed network business in Norway was sold.

MSEK	Oct-Dec 2001	Oct-Dec 2000	Full year 2001	Full year 2000
Net sales	9,691	10,441	35,684	39,205
of which external	8,076	7,735	30,716	29,963
Underlying EBITDA	2,936	3,242	11,603	11,404
EBITDA margin (%)	30.3	31.1	32.5	29.1
Operating income	2,542	1,764	3,737	6,646
Investments	1,979	2,468	7,147	7,396
Sweden				
Net sales	9,152	9,888	33,706	37,500
of which external	7,698	7,406	29,264	28,686
Underlying EBITDA	2,933	3,140	11,594	11,336
EBITDA margin (%)	32.0	31.8	34.3	30.2
Investments	1,848	2,066	5,730	4,563

Earnings from associated companies was MSEK –2,363, compared with MSEK –1,309 in the preceding year. The change is attributable to the second quarter write-down of goodwill in Netia of MSEK –1,820, and to the company's higher deficit. The sale of Eircell/Eircom had an overall positive impact on earnings from associated companies. The divestiture of Eircell in the second quarter resulted in a capital loss of MSEK –314, while the sale of Eircom in the fourth quarter resulted in a capital gain of MSEK 1,070.

Operating income was MSEK 3,737.

Retail Market

Sales in the retail market declined 2 percent to MSEK 26,304 due to lower traffic revenues in Sweden.

Sales in the Swedish retail market were MSEK 25,258, which is a decline of 2 percent compared with the preceding year. This was due to lower telephony traffic revenues, where sales declined 12 percent to MSEK 9,686. Subscription sales increased 2 percent to MSEK 8,210 due to the price increase for consumers implemented in March. Telephone subscriptions declined by 120,000 to 5,663,000 during the year. The decline was largely compensated for by higher demand for ISDN channels, which rose by 84,000 to 922,000 during the year.

Sales of value-added services increased strongly. Demand for caller ID, TeleSvar voicemail, telemeetings and videoconferences rose 29 percent to MSEK 1,781. Sales for network capacity increased 5 percent.

Sales of data communications and other IT services amounted to MSEK 2,584, which is on a level with the preceding year. The data communications market was characterized by heavy price pressure and Telia has chosen to forgo business with insufficient margins.

Several new services were launched, including Telia Röstringning (voice-activated calling) for consumers and a voice-activated office switchboard for companies, DigiTala. Value-added services for business customers were launched that allow companies to, e.g., analyze traffic in their communications networks and ensure that business-critical traffic can always get through.

Sales in the Danish retail market increased 2 percent to MSEK 713.

Wholesale Market

The wholesale business grew steadily. Sales climbed 48 percent to MSEK 4,412. The increase for comparable units was 16 percent.

Demand for network capacity was high in Sweden and sales increased 33 percent to MSEK 1,243. Interconnect traffic sales rose 14 percent to MSEK 1,812.

Broadband accesses are being delivered on a large scale and at an accelerating pace. Skanova, Telia Networks' wholesaling operations, delivered 208,000 broadband accesses during the year, including 40,000 to operators and service providers outside Telia.

Contracts for delivery of network capacity were signed with 3GIS and Svenska UMTS-nät.

Additional wholesale products were launched on the market. Telia has a wide range of products that give Swedish market players access to the copper lines nearest the customer.

Telia strengthened its position in the Danish market through the acquisition of the infrastructure company Powercom. Telia is the second-largest owner of infrastructure in Denmark.

Telia was granted a license to build a broadband access network based on fixed radio in Sweden.

Fourth Quarter

Fourth quarter sales increased 4 percent to MSEK 8,076. Sales for comparable units declined 1 percent compared with the corresponding quarter in the preceding year.

The margin weakened and underlying EBITDA was consequently somewhat lower in the fourth quarter. Compared with the third quarter, the margin declined from 35 to 30 percent. The decline in margin was partially due to the costs of winding up operations in the United Kingdom and restructuring the Danish business.

Telia Equity

The Equity business area is responsible for streamlining the Group and manages Telia's ownership interests in companies outside core operations. Divestments during the year:

- 51 percent of the Telefos Group, which includes nine companies that work mainly with network construction and directory assistance.
- 91 percent of the Orbiant Group of six companies that install and service customer equipment and perform network maintenance.
- Financial commitments in Tess, a mobile operator in Brazil.

- All remaining holdings in the directory company Eniro and the portal company Scandinavia Online.
- The Internet service providers Telia Internet Inc. in the United States and Telia Iberia in Spain.

Promotor AB, which develops communications systems for customer management, and Offentlig Telekom (public pay phone operations) were transferred in the fourth quarter from Telia Networks to Telia Equity. The associated companies Wireless Maingate AB and Drutt Corporation were transferred from Telia Mobile.

MSEK	Oct-Dec 2001	Oct-Dec 2000	Full year 2001	Full year 2000
Net sales	1,787	4,954	10,676	18,932
of which external	543	1,427	3,068	6,057
Underlying EBITDA	108	550	258	1,535
EBITDA margin (%)	6.0	11.1	2.4	8.1
Operating income	3,018	6,002	7,407	6,773
Investments	134	3,556	2,721	6,940

As a consequence of the divestitures, the business area's external net sales declined from MSEK 6,057 to MSEK 3,068 during the year and underlying EBITDA decreased from MSEK 1,535 to MSEK 258.

Non-recurring items amounted to MSEK -209 compared with MSEK 6,211 in the preceding year. The sale of the wholly-owned companies Telia Iberia and Telia Internet Inc. affected non-recurring items by MSEK -104 and MSEK -310, respectively. A provision of MSEK –500 was made for the costs of winding up the satellite business. The Group realized a capital gain of MSEK 653 in the fourth quarter through the divestiture of the Orbiant Group.

Total capital gains from sales of associated companies amounted to MSEK 9,336. As a result, earnings from associated companies rose from MSEK –13 to MSEK 8,239.

The sale of remaining holdings in Eniro and the divestiture of Scandinavia Online generated capital gains in the fourth quarter of MSEK 2,650 and MSEK 53, respectively. An additional provision for the costs of winding up AUCS was set aside in the fourth quarter, which encumbered earnings from associated companies by MSEK –260.

Operating income for the business area was MSEK 7,407, compared with MSEK 6,773 for the preceding year.

Fourth quarter net sales for the companies remaining within Telia Equity as of year-end amounted to MSEK 225 and underlying EBITDA was MSEK -29. The remaining associated companies reported a net loss of MSEK -370, which includes the provision for the costs of winding up AUCS and other restructuring costs. Operations in associated companies reported a minor deficit in the fourth quarter.

Investments totaling MSEK 2,721 were made during the year. The majority referred to equity acquisitions in conjunction with the sale of the remaining 51 percent stake in Panorama Polska to Eniro.

As the Group's refine and focus efforts are now essentially complete, Telia Equity will be wound up as a business area. Remaining operations will be named Telia Holdings and will be reported under Group-wide.

Parent Company

The parent company Telia AB, which is domiciled in Stockholm, comprises the Group's Swedish operations in development and operation of fixed networks and basic production of network services. The parent company also includes Group executive management functions, certain support units, and the Group's internal banking operations.

Net sales for the year were MSEK 22,651 (23,341), of which MSEK 18,484 (20,274) was invoiced to subsidiaries. Earnings before appropriations and tax declined to MSEK –3,211 (6,335). This was partially attributable to write-downs of a number of shareholdings and reduced Group contributions from subsidiaries.

Earnings after appropriations and tax were MSEK –1,646 (5,006). Equity was MSEK 33,296 (36,459) and retained earnings totaled MSEK 9,814 (12,961).

Total assets declined to MSEK 82,796 (91,494). Cash flow from operating activities was MSEK 4,708 (4,117) and operating cash flow was MSEK 10,952 (-20,949). Net debt declined to MSEK 3,858 (6,079). Cash and cash equivalents amounted to MSEK 8,068 (538).

The equity/assets ratio (including the equity component of untaxed reserves) improved to 54.0 (51.9) percent.

Investments amounted to MSEK 14,020 (20,017), including MSEK 5,146 (4,163) in tangible fixed assets, primarily for fixed telephony. Other investments of MSEK 8,874 (15,854) referred mainly to capital infusions in subsidiaries and associated companies.

There were 3,150 (1,056) employees as of December 31. The increase is a consequence of the transfer of employees in the network wholesale business back to the parent company.

Outlook 2002

The general economic situation is going to put a continued damper on operations.

Development and efficiency measures in our core operations are being intensified in order to achieve stated objectives for growth and profitability. The efficiency measures are expected to yield positive effects starting in the second half of 2002.

Our level of investment is expected to be significantly lower in 2002.

Stockholm, February 8, 2002

Marianne Nivert
President and Chief Executive Officer

Group Income Statement

MSEK	Oct-Dec 2001	Oct-Dec 2000	Full year 2001	Full year 2000	Full year 1999
Net sales	14,970	14,540	57,196	54,064	52,121
Costs of production	-13,002	-8,413	-40,435	-33,028	-31,206
Gross income	**1,968**	**6,127**	**16,761**	**21,036**	**20,915**
Sales, administrative, and R&D expenses	-5,347	-4,079	-17,943	-16,326	-14,887
Other operating revenues and expenses, net	549	6,252	506	8,493	-805
Share of earnings in associated companies	3,746	-370	6,136	-1,197	723
Operating income	**916**	**7,930**	**5,460**	**12,006**	**5,946**
Net financial income and expense	-10	-272	-652	-289	34
Income after financial items	**906**	**7,658**	**4,808**	**11,717**	**5,980**
Taxes	-1,496	-247	-2,917	-1,447	-1,754
Minority shares	18	-3	-22	8	-4
Net income	**-572**	**7,408**	**1,869**	**10,278**	**4,222**
Earnings per share (SEK)	-0.19	2.47	0.62	3.50	1.48
after dilution (SEK)	-0.19	2.47	0.62	3.50	1.48

Quarterly Data

	2001				2000				1999
MSEK	Q 4	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1	Q 4
Net sales	14,970	14,431	14,203	13,592	14,540	13,487	13,180	12,857	14,887
Underlying EBITDA	3,133	3,420	3,014	3,348	3,790	3,180	2,857	3,260	3,343
Non-recurring items & pensions	322	-239	271	30	6,937	-116	201	1,316	-7
Share of earnings in associates	3,746	2,339	208	-157	-370	-759	-710	642	1,213
EBITDA	7,201	5,520	3,493	3,221	10,357	2,305	2,348	5,218	4,549
Depreciation and write-downs	-6,285	-2,775	-2,505	-2,410	-2,427	-2,099	-1,860	-1,836	-2,044
Operating income	916	2,745	988	811	7,930	206	488	3,382	2,505
Income after financial items	906	2,491	909	502	7,658	267	356	3,436	2,445
Net income	-572	1,900	250	291	7,408	172	308	2,390	1,755
Earnings per share (SEK)	-0.19	0.63	0.08	0.10	2.47	0.06	0.10	0.84	0.62
after dilution (SEK)	-0.19	0.63	0.08	0.10	2.47	0.06	0.10	0.84	0.62
Investments	5,157	5,965	5,954	3,659	10,311	16,745	16,042	4,644	4,912
of which CAPEX	4,849	5,630	3,666	3,568	7,185	3,369	3,841	2,185	2,638
of which acquisitions	308	335	2,288	91	3,126	13,376	12,201	2,459	2,274

Group Balance Sheet

MSEK	31 Dec 2001	31 Dec 2000	31 Dec 1999
Assets			
Intangible fixed assets	26,816	25,198	2,146
Tangible fixed assets	47,314	43,807	33,318
Financial assets	20,784	22,335	18,023
Inventories, etc.	636	773	971
Receivables	23,521	29,072	20,369
Short-term investments	7,602	178	1,264
Cash and bank	1,518	1,352	513
Total assets	**128,191**	**122,715**	**76,604**
Equity and liabilities			
Equity	59,885	55,988	32,893
Minority shares	204	320	210
Provisions for pensions	2,358	3,525	3,246
Other provisions	10,749	7,826	7,242
Long-term loans	25,193	20,876	9,123
Short-term loans	3,931	13,166	6,934
Non-interest-bearing liabilities	25,871	21,014	16,956
Total equity and liabilities	**128,191**	**122,715**	**76,604**

Group Cash Flow Statement

MSEK	Oct-Dec 2001	Oct-Dec 2000	Full year 2001	Full year 2000	Full year 1999
Cash flow before change in working capital	3,223	2,584	10,272	9,589	12,215
Change in working capital	1,267	183	144	563	-1,500
Cash flow from operating activities	**4,490**	**2,767**	**10,416**	**10,152**	**10,715**
Cash flow from investing activities	4,681	719	3,632	-37,121	-10,701
Operating cash flow	**9,171**	**3,486**	**14,048**	**-26,969**	**14**
Cash flow from financing activities	-1,182	-3,315	-6,608	26,818	1,005
Cash flow for the period	**7,989**	**171**	**7,440**	**-151**	**1,019**
Net interest-bearing debt, opening balance	**15,769**	**22,340**	**20,235**	**7,527**	**6,767**
Change in net borrowing	-4,937	-2,401	-8,407	12,429	-753
Change in pension provisions	-171	296	-1,167	279	1,513
Net interest-bearing debt, closing balance	**10,661**	**20,235**	**10,661**	**20,235**	**7,527**

Statement of Changes in Group Equity

MSEK	31 Dec 2001	31 Dec 2000	31 Dec 1999
Opening balance	**55,988**	**32,893**	**29,344**
Change of accounting principles (IAS 39)	-342	–	–
Adjusted opening balance	*55,646*	*32,893*	*29,344*
Dividend	-1,501	-1,470	-1,400
New share issue	–	12,750	–
Underwriting expenses after tax posted directly to equity	-16	-231	–
Transactions with outside parties	-155	-82	613
Share of earnings in companies previously outside the Group	–	29	–
Differences arising from translation of foreign operations	4,268	2,127	19
Fair value measurement of securities available for sale	143	–	–
Gains/losses on instruments used to hedge cash flow	114	–	–
Differences after tax on forward contracts used for equity hedge	-483	-306	95
Net income for the period	1,869	10,278	4,222
Closing balance	**59,885**	**55,988**	**32,893**

Group Business Areas

Oct-Dec 2001

MSEK	Mobile	Internet Services	International Carrier	Networks	Equity	Group-Wide	**Group**
Net sales	4,757	968	1,275	9,691	1,787	-3,508	**14,970**
External net sales	4,350	963	1,001	8,076	543	37	**14,970**
Underlying EBITDA	1,104	-223	-381	2,936	108	-411	**3,133**
Depreciation and write-downs	-883	-325	-3,289	-1,548	-220	-20	**-6,285**
Non-recurring items and pensions	-2	-4	-1	-13	652	-310	**322**
Share of earnings in associates	137	-9	-3	1,167	2,478	-24	**3,746**
Operating income	356	-561	-3,674	2,542	3,018	-765	**916**
Operating capital	36,451	1,401	8,755	30,843	184	-7,484	**70,150**
Equity participation in associates	3,061	22	0	3,488	3,356	0	**9,927**
Investments	1,667	231	1,157	1,979	134	-11	**5,157**
of which CAPEX	1,309	231	1,172	2,088	59	-10	**4,849**
Number of employees	4,052	1,369	777	8,671	1,576	704	**17,149**

Oct-Dec 2000 (pro forma)

MSEK	Mobile	Internet Services	International Carrier	Networks	Equity	Group-wide	**Group**
Net sales	4,342	865	1,216	10,441	4,954	-7,278	**14,540**
External net sales	3,695	705	932	7,735	1,427	46	**14,540**
Underlying EBITDA	1,136	-280	-245	3,242	550	-613	**3,790**
Depreciation and write-downs	-722	-67	-63	-1,276	-259	-40	**-2,427**
Non-recurring items and pensions	9	105	-4	-12	5,943	896	**6,937**
Share of earnings in associates	77	-21	-5	-190	-232	1	**-370**
Operating income	500	-263	-317	1,764	6,002	244	**7,930**
Operating capital	32,550	1,157	6,696	30,346	9,391	-5,098	**75,042**
Equity participation in associates	2,018	4	3	5,453	5,820	0	**13,298**
Investments	1,325	506	2,513	2,468	3,556	-57	**10,311**
of which CAPEX	927	456	2,413	2,589	855	-55	**7,185**
Number of employees	3,929	1,132	611	9,090	14,281	825	**29,868**

Jan-Dec 2001

MSEK	Mobile	Internet Services	International Carrier	Networks	Equity	Group-wide	**Group**
Net sales	18,106	3,305	4,636	35,684	10,676	-15,211	**57,196**
External net sales	16,407	3,288	3,549	30,716	3,068	168	**57,196**
Underlying EBITDA	4,812	-970	-1,562	11,603	258	-1,226	**12,915**
Depreciation and write-downs	-3,375	-606	-3,594	-5,432	-881	-87	**-13,975**
Non-recurring items and pensions	-49	-28	-1	-71	-209	742	**384**
Share of earnings in associates	361	-45	-6	-2,363	8,239	-50	**6,136**
Operating income	1,749	-1,649	-5,163	3,737	7,407	-621	**5,460**
Operating capital	36,451	1,401	8,755	30,843	184	-7,484	**70,150**
Equity participation in associates	3,061	22	0	3,488	3,356	0	**9,927**
Investments	4,961	903	5,060	7,147	2,721	-57	**20,735**
of which CAPEX	4,323	836	5,037	6,785	788	-56	**17,713**
Number of employees	4,052	1,369	777	8,671	1,576	704	**17,149**

Jan–Dec 2000 (pro forma)

MSEK	Mobile	Internet Services	International Carrier	Networks	Equity	Group-wide	**Group**
Net sales	14,557	2,793	4,068	39,205	18,932	-25,491	**54,064**
External net sales	12,365	2,501	2,966	29,963	6,057	212	**54,064**
Underlying EBITDA	3,396	-1,201	-423	11,404	1,535	-1,624	**13,087**
Depreciation and write-downs	-1,961	-191	-199	-4,790	-960	-121	**-8,222**
Non-recurring items and pensions	20	106	1	1,341	6,211	659	**8,338**
Share of earnings in associates	166	-21	-20	-1,309	-13	0	**-1,197**
Operating income	1,621	-1,307	-641	6,646	6,773	-1,086	**12,006**
Operating capital	32,550	1,157	6,696	30,346	9,391	-5,098	**75,042**
Equity participation in associates	2,018	4	3	5,453	5,820	0	**13,298**
Investments	25,894	985	6,328	7,396	6,940	199	**47,742**
of which CAPEX	2,240	912	6,200	5,171	2,200	-143	**16,580**
Number of employees	3,929	1,132	611	9,090	14,281	825	**29,868**

Geographic Segment Breakdown

Jan-Dec 2001

MSEK	Sweden	Other Nordic countries	Baltic Region	Rest of Europe	Rest of world	**Group**
External net sales	46,348	8,113	133	1,667	935	**57,196**
Depreciation and write-downs	-7,975	-2,788	-23	-2,920	-269	**-13,975**
Share of earnings in associated companies	5,497	-22	-1,923	-246	2,830	**6,136**
Operating income	12,403	-2,483	-1,967	-4,474	1,981	**5,460**
Operating capital	24,218	34,289	5,623	5,647	373	**70,150**
Equity participation in associates	557	-3	5,508	1,568	2,297	**9,927**
Investments	10,122	5,136	1,271	3,661	545	**20,735**
of which CAPEX	8,668	4,752	83	3,611	599	**17,713**
Number of employees	13,365	2,739	196	352	497	**17,149**

Jan–Dec 2000

MSEK	Sweden	Other Nordic countries	Baltic Region	Rest of Europe	Rest of world	**Group**
External net sales	46,469	5,094	137	1,292	1,072	**54,064**
Depreciation and write-downs	-6,581	-1,312	-19	-107	-203	**-8,222**
Share of earnings in associated companies	219	-9	-206	513	-1,714	**-1,197**
Operating income	14,274	-256	-160	-50	-1,802	**12,006**
Operating capital	26,287	30,739	7,103	4,741	6,172	**75,042**
Equity participation in associates	718	32	6,988	1,112	4,448	**13,298**
Investments	10,578	25,527	2,865	3,602	5,170	**47,742**
of which CAPEX	9,714	2,573	65	3,420	808	**16,580**
Number of employees	24,905	3,754	173	408	628	**29,868**

Notes to the Accounts

Non-recurring Items and Pensions

MSEK	Oct-Dec 2001	Oct-Dec 2000	Full year 2001	Full year 2000	Full year 1999
Restructuring/phase-out	32	–	-478	–	-722
Group pension commitments, etc.	-226	740	88	854	189
Initial public offering/integration expenses	–	89	–	-144	-226
Year 2000 compliance	–	–	–	–	-604
Capital gains/losses (excluding associated companies)	516	6,108	774	7,628	179
Total	**322**	**6,937**	**384**	**8,338**	**-1,184**

Fixed Assets

	Intangible assets						Tangible assets		
	Goodwill			Other					
MSEK	31 Dec 2001	31 Dec 2000	31 Dec 1999	31 Dec 2001	31 Dec 2000	31 Dec 1999	31 Dec 2001	31 Dec 2000	31 Dec 1999
Opening balance	**23,935**	**1,143**	**1,029**	**1,263**	**1,003**	**815**	**43,807**	**33,318**	**34,801**
Purchases	448	22,893	335	1,316	509	373	16,409,	16,084	7,342
Operations acquired	–	19	12	–	40	3	1,291	2,431	12
Sales/discards	–	-31	-7	-1	-23	-24	-875	-579	-1,322
Operations divested	-396	-251	–	-86	-4	–	-1,258	-387	–
Reclassifications	-2	-10	-7	-68	-76	-11	-620	54	44
Depreciation	-1,375	-655	-130	-338	-212	-156	-8,825	-7,352	-7,261
Write-downs, reversals of write-downs	-28	-1	-46	-2	–	–	-3,428	-36	-115
CAPEX contribution from cable TV customers	–	–	–	–	–	–	6	21	45
Advances	–	–	–	–	–	–	3	–	–
Exchange rate differences	2,104	828	-43	46	26	3	804	253	-228
Closing balance	**24,686**	**23,935**	**1,143**	**2,130**	**1,263**	**1,003**	**47,314**	**43,807**	**33,318**

Cash Flow from Investing Activities

MSEK	Oct-Dec 2001	Oct-Dec 2000	Full year 2001	Full year 2000	Full year 1999
Shares, participations and operations acquired	-479	-4,808	-2,241	-30,841	-4,426
Shares, participations and operations divested	5,640	8,980	15,631	9,325	993
Intangible and tangible fixed assets acquired	-5,083	-6,575	-16,922	-15,997	-7,887
Other investing activities, net	4,603	3,122	7,164	392	619
Total	**4,681**	**719**	**3,632**	**-37,121**	**-10,701**

Net Indebtedness

MSEK	31 Dec 2001	31 Dec 2000	31 Dec 1999
Long-term and short-term loans	29,124	34,042	16,057
Less interest-bearing financial assets	-7,510	-4,968	-5,563
Interest-bearing receivables	-4,191	-10,834	-4,436
Short-term investments, cash and bank	-9,120	-1,530	-1,777
Net loan debt	**8,303**	**16,710**	**4,281**
Provision for pensions	2,358	3,525	3,246
Interest-bearing net debt	**10,661**	**20,235**	**7,527**

Financial Instruments

MSEK	31 Dec 2001 Book/ Fair value	31 Dec 2001 Market value	1 Jan 2001 (pro forma) Book/ Fair value	1 Jan 2001 (pro forma) Market value	31 Dec 2000 Book/ Fair value	31 Dec 2000 Market value
Participations in associated companies	9,927	9,682	13,298	23,173	13,298	23,173
Other securities	426	426	412	412	635	412
Other financial assets	10,258	10,170	15,260	15,192	15,260	15,192
Interest swaps received	673	673	676	676	–	–
Interest swaps paid	-646	-646	-646	-646	–	–
Currency swaps received	12,629	12,629	12,675	12,675	–	–
Currency swaps paid	-11,442	-11,442	-12,218	-12,218	–	–
Other currency derivatives	355	355	360	360	–	–
Assets	**22,180**	**21,847**	**29,817**	**39,624**	**29,193**	**38,777**
Provisions for pensions	2,358	2,358	3,525	3,525	3,525	3,525
Long-term loans	25,543	25,890	22,033	22,159	22,031	22,158
Short-term loans	4,030	4,044	13,476	13,483	13,462	13,483
Interest swaps received	-1,970	-1,970	-1,408	-1,408	-2,066	-2,085
Interest swaps paid	2,062	2,062	1,484	1,484	2,281	2,342
Currency swaps received	-1,840	-1,840	-180	-180	-12,668	-12,855
Currency swaps paid	1,901	1,901	212	212	11,831	12,220
Other currency derivatives	430	430	551	551	199	191
Liabilities	**32,514**	**32,875**	**39,693**	**39,826**	**38,595**	**38,979**
Less book value of:						
- Pensions	-2,358		-3,525		-3,525	
- Accrued interest	-602		-829		-829	
- Other currency derivatives	-430		-551		-199	
Book value of interest-bearing liabilities	**29,124**		**34,788**		**34,042**	
Currency swaps/forward contracts (portfolio)						
Purchases of foreign currency	19,972	19,972	10,114	10,114	9,937	10,114
Sales of foreign currency	14,030	14,030	6,832	6,832	6,662	6,832

Change in Share Capital

	Number of shares	Par value, SEK/share	Share capital, KSEK
Share capital, Dec. 31, 1999	8,800,000	1,000,00	8,800,000
Bonus issue, May 20, 2000	–	1,036,80	323,840
Split 324:1, May 20, 2000	2,842,400,000	3.20	–
New share issue, June 16, 2000	150,000,000	3.20	480,000
Share capital, Dec. 31, 2000	3,001,200,000	3.20	9,603,840
Share capital, Dec. 31, 2001	3,001,200,000	3.20	9,603,840

Average Number of Shares

Period	Number
Oct-Dec 2001	3,001,200,000
After dilution	3,001,200,000
Oct-Dec 2000	3,001,200,000
Full year 2001	3,001,200,000
After dilution	3,001,200,000
Full year 2000	2,932,757,377
Full year 1999	2,851,200,000

Contingent Assets and Contingent Liabilities

MSEK	31 Dec 2001	31 Dec 2000
Contingent assets	–	–
Pledged collateral		
Shares in subsidiaries	82	–
Blocked funds in bank accounts	9	12
Total	**91**	**12**
Contingent liabilities		
Loan guaranties, completion bonds, etc.	622	995
FPG/PRI	163	165
Other contingent liabilities	–	164
Total	**785**	**1,324**

Contractual Investment Obligations

MSEK	31 Dec 2001	31 Dec 2000
Tangible fixed assets	499	4,235
Indefeasible Rights of Use (IRU)	179	1,026
Associated & non-consolidated companies	274	145
	952	**5,406**

Accounting Principles

Accounting Standards. As in the preceding year, Telia's consolidated financial statements have been prepared with application of International Accounting Standards (IAS) Effective January 1, 2001, this means that certain financial instruments are valued on an ongoing basis at fair value. This is also in accordance with the EU's fourth and seventh directives. The Swedish Annual Accounts Act (ÅRL), which stipulates valuation at the lower of acquisition value or fair value, has not been changed, however. Telia has therefore prepared consolidated financial statements in accordance with ÅRL, which are provided in Telia's annual report. The accounts for the parent company, Telia AB, were prepared in accordance with Swedish law and generally accepted accounting principles in Sweden. This report was prepared in conformance with IAS 34 "Interim Financial Reporting."

Deviations between the principles applied and Swedish and U.S. GAAP are addressed below.

Financial Instruments. IAS 39 "Financial Instruments: Recognition and Measurement" took effect January 1, 2001. Application of the standard means that financial assets, with certain exceptions, are reported at fair value. Assets held to maturity, receivables due to own lending, and assets whose fair value cannot be reliably determined, such as unlisted shares and participations in associated companies, are valued at amortized cost. Telia regards listed securities holdings as available for sale, which means that changes in value until the date they are sold are posted immediately to equity.

Financial liabilities are valued mainly at amortized cost. Liabilities not held for trading and which are fair value hedged are however reported at fair value.

For balances and transactions to be considered hedged, hedging measures must have had the express purpose of constituting a hedge, have a direct correlation to the hedged item, and must effectively hedge the item by yielding financial effects that counteract those which arise through the position that has been hedged.

Telia uses derivative instruments (interest and currency swaps, forward contracts, etc.) primarily to control exposure to fluctuations in exchange rates and interest rates. Loans have also been used to hedge currency risks related to net investments in foreign enterprises.

Derivatives are valued on an ongoing basis at fair value and are reported on the balance sheet. The net change in value of derivatives used to hedge an asset or liability against changes in fair value and the asset or liability hedged are reported on the income statement. Changes in value of outstanding derivatives used for cash flow hedging are posted immediately to equity. Derivative instruments that do not meet the criteria for hedge accounting are reported on an ongoing basis on the balance sheet at fair value. Changes in value are reported on the income statement. There are no contracts that include embedded derivatives as of the balance sheet date.

IAS 39 cannot be applied retroactively. In accordance with the transition rules, an accumulated adjustment of the opening balance after tax has been posted directly against equity for the items affected by the change in accounting principles (see "Statement of Changes in Group Equity" above).

Pro forma Accounting. A new business organization for the Group was implemented on April 1, 2001, with minor adjustments later in the year. Comparative values for the business areas in this report have been recalculated pro forma.

Swedish GAAP. IAS deviates in certain respects from Swedish GAAP, primarily with respect to reporting financial instruments and computation of pension liability and pension expense.

With respect to financial instruments, Swedish law differs from IAS primarily concerning reporting of unrealized changes in the value of derivative instruments and market-

able securities, as well as reporting of liabilities hedged against changes in fair value (see above).

When computing pension liability, IAS states, in contrast to Swedish praxis, that assumptions shall be made concerning expected pay increases, inflation, the discount rate, employee turnover, and expected return on managed assets. According to Swedish law, the effects of changed assumptions and/or outcomes other than expected shall be recognized in income immediately. IAS states that such items shall be recognized in income – and then over the remainder of the employee's term of employment – only after the value exceeds a "corridor" equal to 10 percent of pension obligations or the market value of managed assets, whichever is higher.

Application of Swedish GAAP affects the Group's net income and equity as shown in the table.

MSEK	Full year 2001	Full year 2000
Net income per IAS	**1,869**	**10,278**
Financial instruments	-43	–
Pensions	-1,088	293
Deferred tax	317	-82
Net income per Swedish GAAP	**1,055**	**10,489**
Shareholders' equity per IAS	**59,885**	**55,988**
Financial instruments	126	–
Pensions	145	1,233
Deferred tax	-76	-345
Shareholders' equity per Swedish GAAP	**60,080**	**56,876**

U.S. GAAP. IAS deviates in certain respects from U.S. GAAP. The Group's 2001 Annual Report includes a full reconciliation against U.S. GAAP.

FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities" shall be applied for fiscal years that begin after June 15, 2000. The accounting changes made upon transition to IAS 39 (see above) are consistent with FAS 133. The earlier reconciliation item "Marketable Securities" has been eliminated. FAS 133 cannot be retroactively applied. The transition rules are somewhat different from those for IAS 39.

FASB Statements No. 141 "Business Combinations" and No. 142 "Goodwill and Other Intangible Assets" were published on June 1. The standards, which shall be applied to transactions after July 1, 2001, entail, inter alia, abandonment of the pooling of interests method, as well as amortization of goodwill. Instead, impairment of assets is examined on an ongoing basis. Telia did not carry out any company acquisitions during the second half of 2001 that were reported in a manner inconsistent with the instructions given in FAS 141. Scheduled amortization of goodwill of MSEK 2 was taken as a departure from FAS 142. In all other instances no assessment of possible effects on the Group's income and financial position was made in accordance with U.S. GAAP in conjunction with the implementation of FAS 142.

In other respects, operations during the year did not result in new reconciliation items against U.S. GAAP.

Acquisitions and Divestitures

In the first quarter, Telia and Tele2 formed the joint venture company Svenska UMTS-nät AB, which is owned equally by the parties. The company will build and run UMTS networks. The parties will continue to compete in the market with their respective lines of services. The agreement is conditional upon approval by the Swedish Competition Authority.

Through acquisitions in January and April, Telia also owns 14 percent of the shares in TicketAnywhere Europe AB, which is active in the area of mobile reservations services. In June, the Group acquired 10 percent of the shares in NGF NetGameFactory AB, which develops games and contests for mobile phones and the Internet.

An agreement was reached in August concerning formation of a pan-Russian mobile operator. Under the terms of the agreement, the St. Petersburg-based ZAO North West GSM, of which Telia owns, directly and indirectly, a 24.5 percent stake, will be given operations in the Moscow area and elsewhere. Telia intends to own 17.8 percent of the shares in the reorganized company.

The mobile portal Halebop was acquired in late August. Operations are run by the Swedish company Halebop AB and the Norwegian Halebop Norway AS.

Telia expanded its broadband capacity in Denmark in late June through acquisitions of all shares in Powercom A/S.

In early September, KF, Skandia, and Telia signed an agreement to jointly form Coop Bank, whose main channel will be the Internet, with services offered via fixed and mobile telephony. Telia owns 20 percent of the company.

All shares in the fixed network subsidiary Telia Finland Oy were sold in late June to Song Networks.

Vodafone's acquisition of Eircell, the mobile operations within Eircom plc, was finalized on May 14, which gave Telia an indirect holding in Vodafone. All shares were sold in late June. Valentia Telecommunication Ltd acquired all shares in Eircom plc on November 16.

Operations in the subsidiary Combinator IT AB, whose business is project management and technical integration in distributed IT environments, were sold in January. The subsidiary Telia Trading AB, active in sales and short-term rentals of reconditioned telecom and datacom products, was divested in February. The call center operations Direct Response Services in Sweden, Norway, Denmark, and Finland were sold in early May.

In February, Telia's partially owned subsidiary Telia Overseas AB sold its 29 percent stake in the Slovenian mobile company SI.Mobil to Mobilkom Austria.

In early April, the Brazilian mobile operator Tess S/A was sold to Telecom Americas. Telia AB and Telia Overseas AB sold all Tess shares with restricted voting rights. By means of a small number of shares with full voting rights, Telia and Telia Overseas have retained a voting majority in Tess. The buyer has assumed all of Telia's and Telia Overseas' financial obligations in Tess.

In late May, Telia acquired the remaining shares in the Polish directory company Panorama Polska Sp. z.o.o. (in which Telia owned a 49 percent interest prior to the acquisition) from the American company Verizon. In accordance with an option agreement, all shares in Panorama were transferred immediately thereafter to Eniro AB, which paid for the purchase partially with newly issued shares in Eniro AB. Following sales in several stages, Telia had no remaining holdings in Eniro as of year-end.

Industri Kapital 2000 Ltd. acquired 51 percent of the shares in Telia's subsidiary Telefos AB on June 1. The company owns Multicom Security AB, Ki Consulting & Solutions AB, Respons AB, Swedia Networks AB, Comcarta AB, Swedtel AB, Swedtel Inc., TA Teleadress Information AB, and Validation AB, along with their respective subsidiaries.

In late September, all shares in the subsidiary Telia Iberia S.A., an IP service provider in the Spanish business market, were sold to Cableuropa S.A.

All shares in the American subsidiary Telia Internet, Inc. were sold to Aleron, Inc. in early October.

Through acceptance of Eniro's public bid, Telia's entire holding in Scandinavia Online AB was sold on December 21.

On December 28, Flextronics acquired 91 percent of the Orbiant Group, which installs and services networks and other telecommunications equipment. The group consists of Neterna AB, Orbiant Service AB, Orbiant Systems AB, Evega AB, Relacom AB, and Wireless Network Management WNM AB.

Related Party Transactions

The Swedish State. The Telia Group's services and products are offered to the Swedish state, its agencies, and state-owned companies in competition with other operators and on conventional commercial terms. Certain state-owned companies run businesses that compete with Telia. Likewise, Telia buys services from state-owned companies at market prices and on otherwise conventional commercial terms. Neither the Swedish state, its agencies, or state-owned companies represent a significant share of Telia's net sales or income.

Like other operators whose business requires a permit from the state, Telia pays an annual fee to the National Post and Telecom Agency for the agency's activities. The fee is equal to 1.5 thousandths of net sales in the operator's business for which a permit is required.

Eniro. Telia owned a participating interest in Eniro AB through December 3, 2001. Prior to the company's IPO on Stockholmsbörsen in 2000, Telia and Eniro entered into a number of agreements. Telia sold to Eniro all outstanding shares in the subsidiaries running directory businesses, except for TIM Varumärke AB, which owns certain trademarks used in Eniro's operations. Under the terms of the contract, the Eniro shares were incorporated into TIM Varumärke in January 2001. Also according to agreement, Telia was to grant an irrevocable option to acquire all shares in Panorama Polska at market value if Telia acquired the remaining shares in that company, of which it owned 49 percent. Telia acquired the remaining shares in Panorama Polska in May, and in accordance with the option agreement, all shares were transferred to Eniro on May 31.

Infonet. Telia owns a participating interest in the American company Infonet Services Corp. During the year, Telia sold products and services to Infonet for MSEK 29 and purchased products and services for MSEK 320.

Comsource/Eircom. Telia owns 40 percent of the Irish company Comsource UnLtd. The Dutch company KPN owns the other 60 percent. Until November 16, Comsource owned 35 percent of the shares in Eircom plc. At year-end, Telia had an interest-bearing debt to Comsource of MSEK 777.

Telefos. As of June 2001, Telia owns 49 percent of the shares in the former subsidiary Telefos AB. As of the balance sheet date, Telia had interest-bearing claims on the Telefos Group of MSEK 1,735 MSEK and had signed a limited supplementary guarantee of MSEK 150 for the loan-insured pension commitments of Telefos companies. During the period after the change in ownership, Telia sold products and services worth MSEK 279 to the Telefos Group and bought products and services worth MSEK 1,210. Some of the services purchased by Telia referred to construction of capital assets.

IN. Telia indirectly owns a participating interest in the former subsidiary INGROUP Sweden AB. During the year, Telia sold products and services to the company worth MSEK 67 and bought products and services for MSEK 245.

Service Factory. During the year, Telia bought services from the associated company Service Factory SF AB worth MSEK 94.

WirelessCar. As of the balance sheet date, Telia had interest-bearing claims on the associated company WirelessCar Sweden AB of MSEK 5.

Other. In addition to those specified, Telia buys and sells products and services to a limited extent from these and other associated companies, in all cases on market terms.

Non-cash Transactions

Vehicles. Telia leases vehicles through financial leasing, primarily from GE Capital. New acquisitions during the year entailed a non-cash investment of MSEK 119.

Infrastructure/capacity swaps. Within the international carrier business, swap agreements are signed with other carrier companies for infrastructure and capacity. As swap agreements refer to assets of similar nature and value, the transactions have not been reported in the consolidated accounts as acquisitions or divestitures. Until both parties have finalized deliveries as agreed, the value provided may differ from the value received. As of the balance sheet date, Telia had by this means carried out swaps for a net acquisition of infrastructure and network capacity with a market value of MSEK 334.

Eniro. Until December 3, 2001, Eniro AB was an associated company to Telia. Early in the year, Eniro acquired operations in Germany and Finland against payment in own shares. The resulting dilution of Telia's ownership interest generated a non-cash capital gain of MSEK 479. On May 31, Eniro acquired Telia's directory company Panorama Polska (see above). Of the total purchase price of MSEK 1,173, Eniro paid MSEK 216 in cash and MSEK 957 through 8,197,400 newly issued shares that were subscribed by Telia.

Marakanda. A non-cash capital infusion of MSEK 62 was made to the associated company Marakanda Marknadsplats AB through debt conversion.

Halebop. The purchase price for the shares in Halebop AB and Halebop Norway AS was paid in shares in Drutt Corp. The transaction entailed a non-cash investment of MSEK 26.

Infonet. Options were converted to shares in the associated company Infonet Services Corp. during the year. The resulting dilution of Telia's ownership interest yielded a non-cash capital gain of MSEK 30.

Wireless MainGate. Options were converted to shares in the associated company Wireless MainGate AB during the year. The resulting dilution of Telia's ownership interest yielded a non-cash capital gain of MSEK 28.

WirelessCar. An outside partner provided a capital infusion to the associated company WirelessCar Sweden AB during the year. The resulting dilution of Telia's ownership interest yielded a non-cash capital gain of MSEK 16. A non-cash capital infusion of MSEK 10 was provided through debt conversion.

Employee Stock Options Program

The 2001 Annual General Meeting of shareholders in Telia AB voted in favor of establishing an employee stock options program involving issue of debt instruments with option rights to subscribe to shares in the company. The options were allotted free of charge and all covered employees will be given 1,000 employee options.

The program covers a total of no more than 21,000,000 options that entitle the holder to acquire an equal number of shares in Telia AB. Option holders may exercise the options allotted to them no earlier than May 31, 2003 and no later than May 31, 2005. In addition, a maximum of 6,500,000 option rights may be sold on the open market to compensate for the effect of social security expenses arising as a consequence of the employee stock options program.

If fully exercised, the ESOP will entail an increase in share capital of no more than MSEK 88, equal to a 0.9 percent increase in the number of shares. The subscription price has been set at SEK 69. The terms of the ESOP may be recalculated as a consequence of share issues, etc.

As of the balance sheet date, the ESOP had had no dilution effect upon computation of earnings per share.

Subscription Trends [1)]

1000s	31 Dec 2001	30 Sep 2001	30 June 2001	31 Mar 2001	31 Dec 2000	31 Dec 1999	31 Dec 1998	31 Dec 1997	31 Dec 1996
Fixed telephony, PSTN, Sweden	5,663	5,704	5,721	5,762	5,783	5,889	5,965	6,010	6,032
Denmark	264	240	207	236	232	209	160	86	12
Mobile telephony, Sweden	3,439	3,395	3,323	3,259	3,257	2,638	2,206	1,935	1,745
Norway	970	905	884	854	850	–	–	–	–
Other Nordic countries	527	464	462	438	412	203	120	–	–
ISDN channels, Sweden	922	918	886	866	838	630	424	244	129
Internet,[2)] Sweden	992	915	857	792	738	604	440	231	106
Denmark	147	142	131	124	108	78	63	11	–
Cable TV, Sweden	1,378	1,367	1,359	1,361	1,358	1,348	1,330	1,308	1,291
Denmark	179	180	180	175	175	170	164	145	137

1) For further information: www.telia.com, Investor Relations, Financial Information, Operational Data
2) Internet access via the fixed network and the cable television network

Definitions

EBITDA Earnings Before Interest, Tax, Depreciation and Amortization.
Underlying EBITDA EBITDA adjusted for shares in earnings of associated companies, restructuring/phase-out of larger operations, capital gains/losses, and common pension obligations. For previous periods, also adjusted for the costs of personnel restructuring (including early retirement), year 2000 compliance, and the IPO and expenses in conjunction with the merger with Telenor.
Adjusted equity Reported equity less the proposed dividend.
Capital employed Total assets less non-interest-bearing liabilities and non-interest-bearing provisions and proposed dividend.
Operating capital Capital employed less financial assets but including participations in associated companies and non-interest-bearing receivables.
Net interest-bearing liabilities Interest-bearing liabilities and provisions less interest-bearing assets but including participations in associated companies.
Net borrowings Interest-bearing liabilities less interest-bearing assets but including participations in associated companies.
Underlying EBITDA margin (underlying gross margin) Underlying EBITDA expressed as a percentage of net sales.
Asset turnover rate Net sales divided by average total assets.
Return on equity Net income expressed as a percentage of average adjusted equity.
Equity/assets ratio Adjusted equity expressed as a percentage of total assets.
Debt/equity ratio Net interest-bearing liabilities divided by adjusted equity.
Interest coverage ratio. Operating income plus financial revenues divided by financial expenses.
Net cash flow Increase (-) or decrease (+) in net interest-bearing liabilities.
Earnings per share. Net income divided by the weighted average number of shares after dilution with potential ordinary shares.
CAPEX. Capital expenditures: investments in intangible (except goodwill) and tangible capital assets.
Acquisitions. Investments in goodwill, stock, shares, and participations.
ARPU. Average monthly revenue per user.
Churn. The number of customers that have left the company expressed as a percentage of the average number of customers.
Notation conventions. In conformance with Swedish and international standards, this report applies the following notations:

Currencies*:*	Swedish kronor	SEK
	euro	EUR
	US dollar	USD
Prefix:	thousand	k
	million	M
	billion	G